

Agency:	107 Health Care Authority
Decision Package Code/Title:	ML2-BC Fund ProviderOne O&M Increase
Budget Period:	2015-17 Biennial Submittal
Budget Level:	ML2 – Maintenance Level 2

Recommendation Summary Text

The Health Care Authority (HCA) requests \$7,105,000 (\$1,883,000 GF-State) and 2.8 FTEs in the 2015-17 biennium to address increased costs to continue to operate and maintain the current ProviderOne Medicaid Management Information System (MMIS) and stabilization costs following the implementation of the Phase 2 project.

Package Description

The ProviderOne system was implemented May 9, 2010. A January 2013 contract amendment was negotiated with Client Services Network Inc. (CNSI) which extended the contract with options through June 2021. The contract extension included annual increases for Fixed Price Operations and Maintenance, O&M contingency and the Electronic Health Record (EHR) Medicaid Incentive Program (eMIPP) Fixed Price.

System enhancements for the ProviderOne Phase 2 Project and Medicaid Plan Selection will add further increases to the O&M Fixed Price for the 2015-17 biennium.

The ProviderOne Phase 2 Project consolidates over \$2 billion in the Department of Social and Health Services (DSHS) Medicaid expenditures for home and community based services into the current federally certified ProviderOne payment system. Completion of Phase 2 allows greater coordination of client care, increased accountability and payment integrity, and compliance with federal and state regulations. The ProviderOne Phase 2 Project is divided into two implementation tracks by provider tax type:

1. The 1099 track includes approximately 6,500 residential facilities, medical providers and home health agencies, and is supported by the ProviderOne application; and
2. The W2 track includes over 30,000 individual providers represented by Service Employees International Union (SEIU). A substantial portion of the system functionality is provided by a second vendor, Public Partnership LLC (PPL) through Software as a Service (SaaS) solution. The PPL data will be interfaced to the ProviderOne data warehouse to provide a comprehensive view of all services.

As each track is implemented, the vendor services to operate and maintain ProviderOne will increase. The 2013-15 biennium allotment for Phase 2 included \$461,000 in fiscal year 2015 for operational costs for the 1099 track. This amount will carry forward to the 2015-17 biennium. Funding is now requested for the operational costs for the W2 track as well as staff and consulting costs to retain the Phase 2 project team for up to three months following the system implementation. This team will oversee the stabilization of the new system functionality, close out the project and complete the transition of responsibilities from project staff to operations staff. Phase 2 operational costs for the DSHS contract with the PPL are addressed separately by the DSHS.

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This request also includes funding to support the revised pricing for system infrastructure upgrades to support Medicaid expansion. Initial estimates assumed a one-time investment of \$1,432,000 with annual costs of \$275,000. Final negotiations reduced the fiscal year 2014 investment to \$617,000, but increased the annual cost for fiscal year 2016 through fiscal year 2018 to \$466,000. The fiscal year 2015 allotment was not included in the carry forward budget for the 2015-17 biennium.

The fiscal year 2015 allotment for the CNSI O&M costs that will carry forward to the 2015-17 biennium is \$27,940,000. This request is for the increase from fiscal year 2015 to the 2015-17 biennium.

This request includes \$1,031,000 and 2.8 FTEs to retain the Phase 2 project staff and contractors through the first quarter for fiscal year 2016 to support a three month system stabilization period following the implementation of the W2 track. This continuation of resources is necessary to address defect resolution, transition responsibilities to operations staff and complete project closeout activities.

Questions related to this request should be directed to Nicholas Aaseby at (360) 725-0455 or at Nicholas.Aaseby@hca.wa.gov.

Fiscal Detail/Objects of Expenditure

	FY 2016	FY 2017	Total
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ 856,000	\$ 1,027,000	\$ 1,883,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 2,374,000	\$ 2,848,000	\$ 5,222,000
Total	\$ 3,230,000	\$ 3,875,000	\$ 7,105,000
	FY 2016	FY 2017	Total
2. Staffing:			
Total FTEs	5.5	-	2.8
	FY 2016	FY 2017	Total
3. Objects of Expenditure:			
A - Salaries And Wages	\$ 419,000	\$ -	\$ 419,000
B - Employee Benefits	\$ 147,000	\$ -	\$ 147,000
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ 2,664,000	\$ 3,875,000	\$ 6,539,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ 3,230,000	\$ 3,875,000	\$ 7,105,000

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	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 2,374,000	\$ 2,848,000	\$ 5,222,000
Total	\$ 2,374,000	\$ 2,848,000	\$ 5,222,000

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

This proposal is essential to continue the operations and maintenance of the current ProviderOne system and to make enhancements to the system for ACA requirements.

Performance Measure Detail

Activity Inventory

H003 HCA Information Technology

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

The mission of the HCA is to provide high quality health care. An efficient, state-of-the art payment system that integrates health care services across the Medicaid program is essential to carrying out the Authority's commitment to increasing access to high-quality, affordable health care for all Washington's residents.

Does this decision package provide essential support to one or more of the Governor's Results Washington priorities?

ProviderOne supports the Governor's Results Washington priorities, especially the priority to improve the health of Washingtonians; through greater flexibility to respond to evolving health care initiatives, improved administrative efficiencies, improved data and decision making.

In addition, this proposal supports all four of the governor's key health care goals:

- Create a sustainable, affordable, quality health system;
- Increase access to health care coverage and prescription drugs;
- Improve the health of Washingtonians; and
- Ensure everyone has access to quality health care providers.

What are the other important connections or impacts related to this proposal?

This proposal funds the ongoing cost to continue operating the maintaining the current ProviderOne Medicaid payment system which is critical for the HCA and the DSHS to support eligible clients throughout Washington State. For many clients, this is their lifeline to services that otherwise would not be available.

What alternatives were explored by the agency, and why was this alternative chosen?

Alternatives related to procurement of the state's MMIS were considered prior to the state's investment in ProviderOne. There are currently no alternatives to the increased cost related to ongoing maintenance of the existing system.

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It is important to note that the ProviderOne system was designed as a modular system. Continued investment in upgrade/replacement of individual modules will be required in coming years to maintain compliance with federal Medicaid Information Technology Architecture (MITA) requirements and continued approval of federal financial participation (FFP) for ProviderOne operations.

What are the consequences of adopting this package?

The HCA and the DSHS will continue to support services provided to clients. The HCA will continue to operate and maintain the ProviderOne system and benefits from the flexibility and efficiency that a modern state-of-the-art system brings to the agency.

What is the relationship, if any, to the state capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in to implement the change?

None

Expenditure and Revenue Calculations and Assumptions

Revenue Calculations and Assumptions:

Revenue assumes the majority of costs for this request will qualify for enhanced federal funding at 75 percent FFP, with a small component receiving 50 percent.

Expenditure Calculations and Assumptions:

The contract with the ProviderOne vendor, Client Network Services Incorporated (CNSI), stipulates annual pricing for operations and maintenance for the current system functionality. The CNSI has also submitted firm offer proposals for additional functionality for the W2 track of Phase 2 and Medicaid Plan Selection that include increases to the annual operations and maintenance. The funding request of this request is for the CNSI O&M costs that exceed the carry forward annual allotment of \$27,940,000 (\$7,507,000 GF-State) for ProviderOne vendor O&M.

Design sessions for the W2 track of the Phase 2 implementation are underway with both the CNSI and the PPL. A preliminary project schedule assumes Phase 2 will be implemented by the end of fiscal year 2015. Following implementation, a three month stabilization period in fiscal year 2016 is required to address post implementation issues such as defect corrections, responsibility transition from project staff to operations staff as well as other project closeout activities. The state FTEs and consulting contractors of the Phase 2 project are needed for the stabilization period.

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Which costs, savings, and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

Distinction between one-time and ongoing costs:

Funding of \$6,074,000 (\$1,610,000 GF-State) for the operations and maintenance of ProviderOne will be ongoing to manage the MMIS.

Funding of \$1,031,000 (273,000 GF-State) and 5.5 FTEs in FY2016 for Phase 2 project staff and consultants to complete system stabilization is a one-time cost.

Budget impacts in future biennia:

Funding for operations and maintenance of ProviderOne will continue into future biennia.